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# **Caribbean Basin**

## **HRI Food Service Sector**

### **Cayman Islands**

### **2001**

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#### **Report Highlights:**

**One of the wealthiest countries in the world, the Cayman Islands are reliant upon the United States for 85 percent of their food imports. This report provides U.S. exporters with the information they need to successfully position themselves in an economy that is fueled by tourism and frozen in the headlights of a U.S. economic slowdown.**

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## **SECTION I - MARKET SUMMARY**

A crown colony of Great Britain, the Cayman Islands is one of the most prosperous and politically stable nations in the Western Hemisphere, experiencing annual real GDP growth rates of 5 percent over the last 4 years. Consisting of three islands; Grand Cayman, Little Cayman, and Cayman Brac, their total land mass is roughly 1.5 times the size of Washington, D.C. and supports a highly educated population of 35,000 with an expatriate community equal in size.

Enjoying one of the highest standards of living in the world with a per capita GDP of \$24,500, and with 0 percent arable land, the Cayman Islands is forced to import about 90 percent of its agricultural goods. Due to proximity, quality, the composition of tourists, and the popularity of American culture, the United States dominates the agricultural market in the Caymans, by controlling an 85 percent share of their imports. The total amount of agricultural exports to the Caymans in 1999 was valued at \$109 million, of which U.S. exports accounted for \$93 million.

With no direct taxation, the Cayman Islands fosters a thriving off-shore banking industry with more than 40,000 registered companies, 600 banks, and total banking assets exceeding \$500 billion in 1997. Receiving over 1.2 million visitors annually, tourism is by far the largest industry of the Cayman Islands. Tourism accounts for more than 70 percent of GDP. It creates such an abundance of jobs that a large amount of labor must be imported from Jamaica. With per capita tourist expenditure at nearly \$7,500, the tourism industry is considered a luxury market that has so far appeared relatively immune to economic downturns within its largest tourism supply market of the United States. In 2000, 74 percent of visitors were from the U.S., 8 percent from Europe, 5 percent from Canada, and 13 percent from the Caribbean and other regions.

With 74 hotels and resorts, well over 100 restaurants, and grossing nearly \$75 million in annual sales, the food service sector is a vital component of the Caymanian economy. However, as the Caymans are currently experiencing the downside of an economic cycle, growth in the HRI sector has been flat. This stagnation of growth is a result of an over saturation of market entrants, which has caused a crowding out of profits. Essentially, the recent tourism and construction boom created a market size which is untenable under present economic conditions. The future growth of this sector will not become apparent until the winter tourism season of 2002, when the impact of the slowdown in the U.S. economy will be measurable.

Some of the macroeconomic factors that will affect the food service industry are the following:

% Effect on Tourism of U.S. Slowdown: If conditions in the United States result in fewer tourists and cause a decline in the crucial tourism industry, the HRI sector could endure a substantial blow. Since HRI firms import 97 percent of their food products from the United States, this could have a negative affect on demand for U.S. food exports.

The level of impact there could be is unpredictable. As the Cayman Islands is one of the most expensive nations in the Caribbean, it is vulnerable to substitution for a cheaper island in times of hardship. In contrast, the tourism market is driven by an affluent clientele that may be insulated from the U.S. slowdown and will vacation regardless of the state of the overall economy.

% Economic Growth: The Cayman Islands' economy has been expanding at a rate of 5 percent per year. The prosperity of the increasingly high-end tourist market, and a successful off-shore banking industry are the key contributors to this growth.

% Comparative Advantage: The Cayman Islands cannot competitively produce agricultural goods other than niche markets (such as turtle), and are reliant on exports from the United States for 90 percent of its food supply.

Advantages	Disadvantages
The popularity of American culture increases tastes for U.S. food products. Often trends in U.S. food service markets indicate future market opportunities in the Cayman islands.	While the U.S. economic downturn has not yet affected the Cayman tourism industry, it could be a crippling blow. With such a large percentage of GDP depending on tourism, if the U.S. supply of tourists declines severely, the demand for U.S. exports will follow in suit.
The Cayman high standard of living allows for U.S. imports to be affordable and demanded.	Most major brands have an established market share, making it difficult to introduce new products. Also, with a small number of importers, it may be hard to find an importer that doesn't already represent a competing product.
The Cayman Islands import 90 percent of their food.	Prediction of increased hurricanes in the next 10 years threatens tourism growth.
Most tourists who visit the Caymans are American, and while on vacation, still demand U.S. goods.	Although not a member, free trade agreements with other members of CARICOM will increase trade within the Caribbean, possibly at the expense of U.S. exports.
With the Cayman currency pegged to the U.S. dollar, the devaluation of the Euro has made it more expensive for European tourists. The composition of the tourism market has become even more predominantly American, further increasing the demand for U.S. food.	The HRI market is currently overcrowded, with declining numbers of people eating out translating to declining demand for food imports.
The Cayman Islands has one of the most developed infrastructures in the Caribbean, allowing for safe and efficient handling and delivery of product.	High tariff regulations make prices extremely high. With no income taxes, the Caymanian government's primary source of revenue is from these import taxes.

## **SECTION II-ROAD MAP FOR MARKET ENTRY**

Market entry for new products may be difficult as so many American brands are already established. However, with competition in the food service sector increasing, many restaurants are looking to diversify their products to gain a market edge. These new products are introduced to them primarily by their local distributors who also play the role of importer and wholesaler. These distributors are the key point of contact for market entry.

Trends in demand in the Cayman Islands follow that of the United States, although with a time lag that allows for areas of market growth to be anticipated. A new exporter or present exporter looking to increase market share should first identify where there has been growth in the U.S. market. Then they should introduce the product to a Cayman distributor.

Product introduction can be done in several ways. First, contact a distributor with a product sample and literature. Second, many importers and their clients rely on trade shows as well to find out about new products. The NRA (National Restaurant Association) show or the America's Food and Beverage Show are the two most frequented trade shows by importers looking for new food service products. Direct solicitation to the Chef or Food and Beverage Managers of HRI firms is another means of market entry. In addition, the distributor typically wants an exclusive agreement with the U.S. exporter. The distributor, looking to increase their volume will often present this new product to the HRI firms and make a decision.

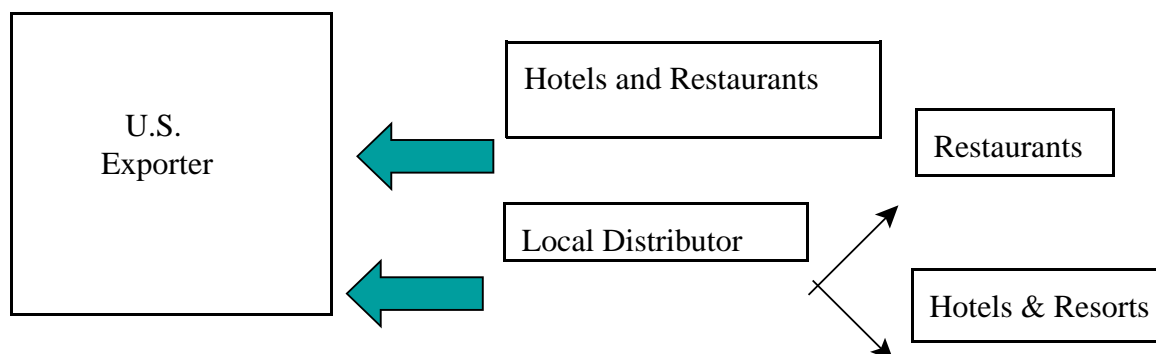
Prior to any tangible steps, the key to a successful market entry is research. As the proximity and commercial reach of the U.S. floods the Cayman Islands, one should follow trends in American domestic markets, seek niche markets, and always consider the potential tastes and demands of tourists. Most importantly, a visit is necessary to get a feel for the market, and to see how Americanized it is. Develop an excellent visual marketing plan, and begin making contact with HRI firms and local distributors.

### **B- MARKET STRUCTURE**

The structure of the market in the Cayman islands is simple and easy to navigate. With the exception of one major hotel/resort and the U.S. fast food chains that import directly, all other restaurants in the HRI sector purchase their goods through a variety of local distributors.

The majority of the products being imported by the distributors departs from Southern Florida, primarily Miami. Manufacturers and Florida distributors send full container loads. Smaller sized shipments are either added to the Florida distributor's container, or consolidated by a freight forwarder. Customs procedures are very clear, and extremely fast. Most HRI firms receive their goods the same day they arrive.

## MARKET- DIAGRAM

C-SUB-SECTOR PROFILES1-Hotels and Resorts

## Company Profiles

Name of Hotel/Resort	Locations	Number of Hotels	Total Rooms	Purchasing Agent
Holiday Inn Grand Cayman	Seven Mile Beach	One	120 Rooms	Local Distributors
Westin Casaurina Resort	Seven Mile Beach	One	343 Rooms	Local Distributors
Hyatt Regency Grand Cayman	George Town	One	288 Rooms	Direct Importer
Little Cayman Beach Resort	Blossom Village-Little Cayman	One	40 Rooms	Local Distributors
Marriot Grand Cayman	Seven Mile Beach	One	309 Rooms	Local Distributors
Sammy's Best Western Airport Inn	Seven Mile Beach	One	50 Rooms	Local Distributors
Treasure Island Resort	George Town	One	278 Rooms	Local Distributors

The hotel and resort sector has grown as the Caymans Islands's tourism sector has grown at an annual rate of 2.2 percent. Most larger hotels and resorts offer both European and modified-American meal plans, as well as continental breakfast.

Since the Cayman Islands are renowned for their beautiful coral reefs and underwater life, the diving industry attracts customers seeking more secluded and subtle accommodations such as the many condominiums and apartments that have been built in recent years. These properties frequently do not offer meal services, yet are equipped with kitchens and attribute more to the growth in the retail sector.

## **2-Restaurants**

<b><u>Company Name</u></b>	<b><u>Sales</u></b>	<b><u>Outlet Type</u></b>	<b><u>Number of Locations</u></b>	<b><u>Location</u></b>	<b><u>Purchasing Agent</u></b>
Pizza Hut	N/A	Mid-level fast food	1 Location	Seven mile Beach & George Town	Local Distributors for Produce & U.S. Agent
Burger King	N/A	Fast Food	3 locations	Seven Mile Beach (2) & George Town	Local Distributors for Produce & U.S. Agent
Hyatt Grand Cayman	N/A	Catering, Family Style	5 Restaurants	Seven Mile Beach	Direct Importer
Cimboco	N/A	Family Style	1 Locations	Seven Mile Beach	Local Distributors
Wendy's	N/A	Fast Food	2 Locations	Seven Mile Beach	Local Distributors for Produce & U.S. Agent
Domino's Pizza	N/A	Fast Food	2 Locations	Seven Mile Beach	Local Distributors for Produce & U.S. Agent

Chicken! Chicken!	N/A	Fast Food	1 Location	Seven Mile Beach	Local Distributors
KFC	N/A	Fast Food	2 Locations	George Town & Seven Mile Beach	Local Distributors for Produce & U.S. Agent

In addition, the Cayman Islands has more U.S. chains including The Outback, Subway, Lone-Star Grill and the Hard Rock Café. These companies also purchase their produce from local distributors.

Like most sectors of the Cayman economy, the restaurant sector is either directly reliant, or susceptible to a trickle down affect of the tourism industry. Restaurants located on Seven Mile Beach are usually dependent upon tourism for about 65-70 percent of their sales, and their success or failure is directly related to the health of the tourism market. Other restaurants, not located in the prime tourist areas and marketed toward local consumers are indirectly affected by the state of tourism, as many of their patrons will have incomes related to the tourism sector themselves. When tourism is booming, so is the restaurant sector, when it is not, this sector is one of the first to experience difficulties.

Currently the restaurant market is contracting. During the recent period of economic expansion in the tourism and construction sectors, too many new restaurants entered the market and suffocated long run profits. The fate of many of these restaurants will be decided by the coming peak tourism season of November to March 2002.

### **III-COMPETITION**

U.S. products face very little competition from other imported products. With a substantial expatriate community, certain goods, such as Cadbury candy for example, remain popular and are imported. However, the overwhelming majority of food products are imported from the U.S. via Miami, as the demand in the Cayman Islands is for U.S. products. This is attributed to the tastes of American tourists that like to find familiar products while on vacation, and the strong commercial influences from U.S. television and culture, as well as the cheaper shipping costs relative to Europe.

With limited natural as well as human resources, the Cayman's products have few, if any comparative advantages relative to imported products, and do not present any competition. It also appears that competition for the import market is not significantly price sensitive. Although the Euro has devalued and made European imports cheaper in the dollar pegged Caymans, the volume of European imports has not increased.

### **IV-BEST MARKET PROSPECTS**

Market opportunities exist for the complete range of food service products. Competition from other U.S. brands is the only barrier. U.S. products that have been growing in demand are dairy and meat products. As the spread of Foot and Mouth Disease, as well as Bovine Spongiform Encephalopathy (Mad Cow) disease in Europe have warranted bans on their importation, American products have benefitted as substitutes. In addition, there has been substantial growth in demand for prepared foods, snack foods, rice, and fish, as well as sugars, sweeteners and bases. The customs department follows U.S. standards and regulations in suit with very few exceptions.

### **V-POST CONTACT AND FURTHER INFORMATION**

**For More Information and an Importer List, Please Contact:**

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**For more information on the Cayman Islands and Countries around the world, visit:**

Cayman Islands Chamber of Commerce  
Telephone: (345) 949-8090  
[www.cayman.com.ky](http://www.cayman.com.ky)

Foreign Agricultural Service Website  
[www.fas.usda.gov](http://www.fas.usda.gov)

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[www.cia.gov](http://www.cia.gov)



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